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SEP 16 1986

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This Article for Release August 11, 1986

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Peter Elzinga, Alberta Minister of Agriculture

FARM INCOME OUTLOOK 1986

Optimism is coming back into agriculture.

Realized net income for Alberta farmers in 1986 is forecast to be \$667 million, which is an increase of \$86 million over 1985, and up \$23 million from 1984.

In fact, when we look at the whole financial picture, a drop can be just as important as an increase. That is certainly the case with farm expenditure forecasts for the coming crop year.

With farm expenses falling substantially faster than farm incomes, 1986-87 promises to be a better financial year than Alberta producers have seen in some time.

Three key figures tell most of the story. First, total operating expenses during the new crop year are forecast to decline by 7.1 percent. This follows a 1.2 percent drop last year.

Second, total Alberta farm cash receipts are forecast to decline by just 3.1 percent, though the drop will be considerably higher in certain sectors. And third, the result of both these figures is that, as I noted above, realized net income for Alberta farmers in 1986 is forecast to reach \$667 million, an increase of 14.8% over last year.

This is good performance. Alberta farmers deserve a great deal of credit for holding the line during a period when poor world markets, drought and rising input costs have combined to create hardship for many.

These figures also show the positive effect of long term government efforts to assist in a number of economic areas.

The low inflation rate and the relatively stable credit picture have, in particular, enabled farmers to plan ahead with a greater degree of certainty about their cash requirements.

Markets, unfortunately, have not been nearly as kind. Thankfully, after periods of weakness, hog prices have improved of late, and cattle prices have been consistent for the past couple of years. In total, livestock receipts are this year expected to be up \$75 million from 1985.

On the crop side, however, a number of factors, including record world grain production levels, more competitive grain markets, local drought and the U.S. Farm Bill, are hurting Alberta grain growers.

In 1986-87, total crop receipts are projected to be \$1,788 million — \$195 million lower than in 1985-86. Cereal producers will shoulder a good portion of this drop. Though initial prices for barley are down nearly 30 percent compared to last year's, total barley receipts are expected to decline only 2.6 percent.

However, cash receipts from wheat, our largest cash income generating crop, are expected to be just \$610 million, down about 40% over the last two years. While receipts will be down only \$89 million from 1985, they remain nearly \$400 million below the levels achieved in both 1983 and 1984.

On the positive side, wheat production in 1986-87 is expected to increase by more than 40 percent over last year.

Government assistance programs will make a substantial

difference in farm finances in 1986.

Doubling of the Alberta Farm Fuel Distribution Allowance, together with federal government rebates on sales and excise taxes, are expected to reduce 1986 fuel expenses by \$106 million. Fertilizer and feed expenses are projected to fall \$23 and \$80 million respectively, due to Alberta's Farm Fertilizer Price Protection Plan and the Feed Grain Market Adjustment Program. And the introduction of the Alberta Farm Credit Stability Program is expected to make a major contribution to a projected 7.4 percent drop in interest expenses.

On the income side, payments from the Canada-Alberta

Livestock Drought Assistance Program, the Alberta Livestock Assistance Program, the Red Meat Interim Insurance Payment and the Western Grain Stabilization Program will make a substantial difference in the cash receipts of Alberta farmers.

There will undoubtedly be difficulties to be faced in various agricultural sectors in 1986. However, with net realized income forecast to increase by almost 15%, this crop year is shaping up well.

All in all, the facts and figures add up to an improved picture for Alberta's agriculture industry. For the first time in several years, there is room for cautious optimism in our farming sector.